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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS
COMMISSIONER

Licensing 2003-0002

May 20, 2003

To OFIS Licensees and Registrants

RE: Standards for Safeguarding Customer Information: Effective May 23, 2003

The Federal Trade Commission (FTC) has issued a new requirement called the Standards for Safeguarding Customer Information (Safeguard Rule). All businesses licensed or registered by the Office of Financial and Insurance Services (OFIS) fall within the definition of financial institutions and must comply with this requirement.

The FTC's Safeguard Rule was implemented for privacy protections under the Gramm-Leach-Bliley Financial Modernization Act of 1999. The Safeguard Rule sets standards for developing, implementing, and maintaining reasonable safeguards to protect customer information by all financial institutions under the jurisdiction of the FTC.

The Safeguard Rule applies to businesses that are providing financial products or services to customers, and to financial companies that receive information from financial institutions about their customers. This means that the rule applies to any person or legal entity defined as a financial institution, when there is a customer relationship; or a relationship that pertains to the customers of financial institutions whose information is provided to you. A financial institution is an institution that is significantly engaged in financial activities.

The Safeguard Rule becomes **effective on May 23, 2003**. All financial institutions licensed or registered by OFIS are under the jurisdiction of the FTC and must comply with the Safeguard Rule.

Under the requirements of the Safeguard Rule, a business must:

- Designate one or more employees to coordinate the safeguards;
- Identify and assess the risks to customer information in each relevant area of the company's operation, and evaluate the effectiveness of the current safeguards for controlling these risks;
- Design and implement a safeguards program, and regularly monitor and test it;
- Select appropriate service providers and contract with them to implement safeguards; and

- Evaluate and adjust the program in light of relevant circumstances, including changes in the firm's business arrangements or operations, or the results of testing and monitoring of safeguards.

The FTC has posted the complete Safeguards Rule on its website at www.ftc.gov/privacy/glbact. Valuable information for your business is available at www.ftc.gov/infosecurity. Questions about this information should be directed to the FTC at 202-326-3224.

Sincerely,

A handwritten signature in black ink, appearing to read "SDungey", with a stylized, flowing script.

Sonya W. Dungey
Director of Licensing